

(Mr. KENNEDY), and the Senator from Illinois (Mr. OBAMA) are necessarily absent.

Mr. KYL. The following Senator is necessarily absent: the Senator from Arizona (Mr. MCCAIN).

The PRESIDING OFFICER (Mr. WEBB). Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 84, nays 12, as follows:

[Rollcall Vote No. 170 Leg.]

YEAS—84

Akaka	Durbin	Murkowski
Alexander	Feingold	Murray
Allard	Feinstein	Nelson (FL)
Baucus	Graham	Nelson (NE)
Bayh	Grassley	Pryor
Bennett	Gregg	Reed
Biden	Hagel	Reid
Bingaman	Harkin	Roberts
Boxer	Hatch	Rockefeller
Brown	Hutchison	Salazar
Brownback	Inouye	Sanders
Burr	Isakson	Schumer
Byrd	Johnson	Sessions
Cantwell	Kerry	Shelby
Cardin	Klobuchar	Smith
Carper	Kohl	Snowe
Casey	Landrieu	Specter
Chambliss	Lautenberg	Stabenow
Cochran	Leahy	Stevens
Coleman	Levin	Sununu
Collins	Lieberman	Tester
Conrad	Lincoln	Thune
Corker	Lugar	Voivovich
Craig	Martinez	Warner
Dodd	McCaskey	Webb
Dole	McConnell	Whitehouse
Domenici	Menendez	Wicker
Dorgan	Mikulski	Wyden

NAYS—12

Barrasso	Cornyn	Enzi
Bond	Crapo	Inhofe
Bunning	DeMint	Kyl
Coburn	Ensign	Vitter

NOT VOTING—4

Clinton	McCain
Kennedy	Obama

The PRESIDING OFFICER. On this vote, the yeas are 84, the nays are 12. Three-fifths of the Senators duly chosen and sworn having voted in the affirmative, the motion is agreed to.

Cloture having been invoked on the motion to disagree to the two remaining House amendments, the motion offered by the majority leader to concur with an amendment to the first such House amendment falls.

ORDER OF PROCEDURE

Mr. REID. Mr. President, under an order entered yesterday with respect to Executive Calendar Nos. 665 and 666, I now ask unanimous consent that upon conclusion of the cloture vote with respect to the House message to accompany H.R. 3221, regardless of the outcome, the Senate proceed to executive session to consider the nominations and limitations of the previous order; further, that upon conclusion of the debate or yielding back of time on the nominations, the nominations be set aside until 2 p.m. today, at which time the Senate then proceed to vote on confirmation, as specified in the previous order.

The PRESIDING OFFICER. Is there objection?

The Chair hears none, and it is so ordered.

Mr. REID. Mr. President, for the information of all Senators, I have been advised by Senators DODD and SHELBY that they likely will be able to finish their work on the housing bill today.

We have also pending a cloture vote tomorrow morning on the PEPFAR bill. I have had a conversation with the Republican assistant leader and we kind of know where we are on this issue. We could, with consent, move that vote up today or do it in the morning. Whatever, we on this side would be satisfied to do it today.

I have had a conversation with Senator BIDEN, who has helped a great deal on this piece of legislation, and he said he was going to confer with Senator LUGAR to see if the last kinks can be worked out. Frankly, that is doubtful. So we can either have that cloture vote in the morning or this afternoon, and we await the word of the minority as to what they wish to do on that issue.

EXECUTIVE SESSION

NOMINATIONS OF GENERAL DAVID H. PETRAEUS AND LIEUTENANT GENERAL RAYMOND T. ODIERNO TO BE GENERAL

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to executive session and consider the following nominations, which the clerk will report.

The assistant legislative clerk read the nominations of Gen. David H. Petraeus and Lt. Gen. Raymond T. Odierno, Department of the Army, to be general.

The PRESIDING OFFICER. Who yields time?

The Senator from Michigan.

Mr. LEVIN. Mr. President, we have these two nominations before us. I understand the vote on the two nominations will take place at 2 p.m. or thereabouts.

The Senate Armed Services Committee unanimously approved the nomination of General Petraeus for reappointment to the grade of general and to be commander of the U.S. Central Command, and also the nomination of LTG Raymond Odierno for appointment to the grade of general to be commander of the Multinational Force Iraq. The confirmation of these nominations will provide a continuity of senior military leadership for the region and for Operation Iraqi Freedom. This continuity in U.S. military leadership will be helpful in working with regional and Iraqi political and military leaders.

General Petraeus brings a large amount of experience and leadership to the position of CENTCOM commander. He has served over 30 years in the military, including 3 tours of duty in Iraq, first as commander of the 101st Airborne Division, then as commander of the Multinational Security Transition Command Iraq, and since February of 2007, as commander of the Multi-

national Force Iraq. As the Multinational Force Iraq commander, General Petraeus has led a shift in tactics in Iraq, helping to calm, hopefully permanently, very violent sectarian conflict.

If confirmed as CENTCOM commander, General Petraeus would continue to oversee the U.S. troops in Iraq, drawing on his knowledge of the situation on the ground and his working relationships with Iraqi political and military leaders. He would also be responsible for addressing an increasingly violent insurgency in Afghanistan and other important national security interests throughout the CENTCOM region.

General Odierno is well qualified for his new duties, with 32 years of uniformed service, including 2 tours in Iraq, first as commander of the 4th Infantry Division, and until recently as commander, Multinational Corps Iraq, in which he worked directly under the command of General Petraeus. He has assisted the change in operational approach in Iraq toward counterinsurgency. He understands that Iraqis must achieve political reconciliation to unite their country and to provide more effective governance for Iraq. He understands the importance of and is committed to increasing the Iraqi security forces technical capability, professionalism, evenhandedness, and full integration so they can eventually assume total and effective responsibility for their own nation's stability. He understands the recent gains in reducing violence, controlling militias, and rejection of al-Qaida must be supported and expanded by an Iraqi Government which grows more capable and is more attuned to meeting the needs of the Iraqi people. And most importantly, General Odierno understands the necessity for Iraqi political leaders to take responsibility for their own country—to take responsibility politically, economically, and militarily.

So our country, I believe, is indebted to the service of General Petraeus and General Odierno for their willingness to continue that service, and we are also indebted to their families for the sacrifices those families endure when their two loved ones spend so much time in such difficult areas.

I urge my colleagues to support these two nominations.

The PRESIDING OFFICER. The senior Senator from Virginia.

Mr. WARNER. Mr. President, I wish to inform the chairman that I shall speak myself, and Senators SESSIONS, CHAMBLISS, and GRAHAM also hope to be recognized. I have inquired at the desk, and there is some flexibility in our time here this morning, and we will go from one side to the other if Senator LEVIN has colleagues who are going to speak.

Mr. LEVIN. Mr. President, on that point, what is the time situation?

The PRESIDING OFFICER. Under the order, there is 20 minutes equally divided.

Mr. LEVIN. And how much time did I use?

The PRESIDING OFFICER. The majority side has 6 minutes 34 seconds, and the Republican side has 9 minutes 24 seconds.

Mr. LEVIN. Mr. President, I reserve the remainder of my time. I have no objection to Senator WARNER's yielding to the Senators he has identified, or other Senators speaking beyond that 9 minutes, or whatever time he has. But I will have to reserve the remainder of my time, because I think there may be speakers on my side who may oppose the nominations, and I want to protect them if they do. So I ask that same courtesy then be agreed to by the good Senator from Virginia, if there is additional time needed on our side for speakers.

Mr. WARNER. Mr. President, subject to my leadership, I will certainly recommend that be done.

Mr. President, very simply, two of America's finest sons are before this body with the very important responsibility entrusted by the Founding Fathers as they wrote the Constitution of the United States; namely, that the Senate shall give advice and consent. I have had the privilege through my lifetime to be associated with many senior officers of all branches of our military. I say unreservedly, these are two of the most extraordinary that I have been privileged to know and work with in my long career.

On many trips to Afghanistan and to Iraq with the distinguished chairman of the committee—we so often travel together—on a number of those occasions we worked directly with General Petraeus and General Odierno. Therefore, they both have my strongest endorsement, and I congratulate them individually and I also congratulate their families. These are two fine officers, and their families have participated in their careers and backed them. If you look at the length of service that each has had in four deployed regions, most specifically Iraq, it has been a very extensive period of time, and the consequences on the family are often difficult to bear. But the families have stood by these fine officers through these long deployments.

Both nominees have had extraordinary experience, and therefore I anticipate we will have a very positive confirmation by the Senate. They are highly experienced, indeed specifically trained. I sort of edited that word into my remarks because they have served a number of times in Iraq and moved up to higher responsibilities—in the case of General Odierno, and in General Petraeus, he takes on responsibility for the entire region. But he is magnificently trained to do so.

Further, as we approach, again, our constitutional system by which we change Presidents, there is a continuity that these two officers offer by virtue of serving in these positions, if it is the will of the next President. That is invaluable in this region. That

is because, as the distinguished occupant of the chair and many others know, the cultural situation in this part of the world is a very challenging one to fully understand and appreciate; to see that our Armed Forces act with them, work with them in such a way as to achieve the goals but at the same time protect our Armed Forces.

I say “with” because the nations of Iraq and Afghanistan are now sovereign nations. As such, we are there by consent of that sovereignty to work with their forces.

I also add that I don't know that I have ever experienced a dimension in contemporary times where the professional officers have had to work so very closely with other members of the executive branch, notably the National Security Council and the Department of State, working hand in hand.

The current Ambassador in Iraq, Ambassador Crocker, is well known in the Senate, and I believe extremely admired and respected for the services he has rendered. He has been a partner with General Petraeus in working through their individual responsibilities, coming before the Congress jointly to make their reports. They know the region, they know the background, and they are fully qualified to undertake these responsibilities.

At this point, I would like to yield the floor to my other colleagues. I may have a few closing remarks.

I see the distinguished Senator from Georgia, a member of the Senate Armed Services Committee.

The PRESIDING OFFICER. The Senator from Georgia is recognized.

Mr. CHAMBLISS. Mr. President, Senator WARNER, Chairman LEVIN, thanks for getting these nominations up in short order.

I rise to speak in favor of the nominations of GEN David Petraeus to be Commander, United States Central Command, and LTG Raymond Odierno to be General and Commander, Multi-National Forces—Iraq.

Over the past few years under the leadership of these two men we have seen vast improvements in the conditions on the ground in Iraq, the quality and number of the Iraqi security forces, and increasing ownership of the political process and issues facing their country by the Iraqi government and the Iraqi people. These accomplishments are due to the efforts of our young men and women in uniform who have sacrificed to defend our values and build democracy in Iraq. General Petraeus and General Odierno have led these men and women and they have done so ably, wisely, and with integrity and professionalism. They are without question the right men for the jobs for which they have been nominated.

Our young soldiers, sailors, airmen, and marines in Iraq and Afghanistan have had the opportunity to be led by some of the greatest military leadership we have witnessed in our era. General Petraeus and General Odierno embody our military values and leader-

ship principles in the tradition of great military leaders who have come before them. These two combat veterans, who between them have served our Nation in uniform for over 60 years, have demonstrated that they have the skills and commitment to carry out and complete our mission in Iraq and safeguard our 150,000 servicemembers in Iraq.

With the right leadership—which these two generals can provide—Iraq will continue to benefit from the implementation of our current military and security strategy. I feel honored to have witnessed the efforts of these two soldiers and am certain that their leadership will continue to successfully guide our efforts in Iraq.

I have had the opportunity to visit one on one with both General Petraeus and Lieutenant General Odierno on the multiple trips I made to Iraq. I often refer to David Petraeus as being the best soldier that the U.S. Army has today. General Odierno is right there with him. They have the greatest men and women serving under them. Without their outstanding leadership, certainly we would not have been able to accomplish what we have in Iraq over the past year and a half.

The first time I saw David Petraeus in action in Iraq was while training Iraqi security forces. He did a great job correlating the efforts of the Iraqi military on the ground with the security forces. He had a way of directing the Iraqi military commanders in a way that was extremely unusual, very positive, and very professional.

Today, what we are seeing as a result of the efforts of David Petraeus is an Iraqi military that is growing stronger, more confident and in the short term, is going to be in a much better position than certainly they are even today of protecting the citizens of Iraq from external sources. They will also help the security forces provide domestic security for Iraqi citizens.

General Odierno has made great sacrifices by being away from his family for so long. He just returned from Iraq. Now we are asking him—and he has graciously committed, once again, for the benefit of service to our country—to return to Iraq to be in the position of commander on the ground. He is truly a great individual and certainly his record in the military speaks for itself.

Both of these men deserve our utmost respect and certainly a strong vote in this body confirming their positions.

In closing, let me say a commitment to the military is a family commitment. Both General Petraeus and General Odierno have made great sacrifices being away from their families for extended periods of time—not just while they have been serving our country in Iraq and Afghanistan but certainly previous to that time also. I do know they have been away from home for an extended period of time. Without the great support of their families they would not have been as successful as

they have. I salute their families as well as saluting them both.

I urge this body to give a strong and resounding vote in favor of these two men for the positions for which they have respectively been nominated.

I yield the floor.

Mr. WARNER. I thank the Senator from Georgia. He is a strong voice on the Senate Armed Services Committee. His views with regard to the qualifications of these two officers with whom he has worked over these many years are of great value to the Senate.

Mr. President, I see the presence on the floor of our distinguished colleague, another member of the committee, Senator SESSIONS.

I yield the floor.

The PRESIDING OFFICER. The Senator from Alabama is recognized.

Mr. SESSIONS. Mr. President, I thank Senator WARNER. I would share a few thoughts. You might ask why is it that generals throughout our history, particularly successful generals, have been as popular as they have been? I think it is because they are called upon to lead our soldiers in a life-and-death struggle. And at given times in history, some people's talents and gifts and understanding of the nature of the combat are such that they can bring us to success with the least possible cost and the least number of lives lost. I believe—not that other generals are not as good or as decent people—but at certain times certain people have those capabilities.

In General Petraeus we are fortunate to have one of our finest commanders. We are particularly fortunate that his gifts and graces and talents are such that they are perfectly suited to the type of combat in which we have been involved. He was a commander of the 101st Airborne. He is a warrior. He knows the nature of combat. He is a sensitive and decent person, but he understands the nature of combat and the importance of victory. He knows how to impose a cost on an enemy and minimize the losses to the American side. I think we are lucky to have him.

He finished at the top of his class at West Point, one of their outstanding graduates. He was No. 1 in his class at the Army's Command and General Staff College. He has a Ph.D. from Princeton University in international relations. He has taught that subject as well.

When I first met him he was in Iraq. The 101st had taken Mosul in the north. He had a superb grasp of the situation. He was reaching out to reconcile the disparate groups. He introduced me to the town council. One member was a Kurd and one was a Christian and one was a Sunni and one was a Shia. It was an effort that he understood was important: to reconcile the differences there. After his departure, things did not go as well as when he was there.

The second time I met him in Iraq was when he was in charge of training the local Iraqi police and military.

President Bush had asked him to go back and do that important task. It was a critically important task, the President believed, and General Petraeus was one of the most talented people we had, so he was asked to go back. He worked in that capacity for a year.

He came home and then wrote the counterinsurgency manual for the Department of Defense. This thick manual is a doctrinal statement on how to confront and defeat an insurgency, a very important skill at this time in history. The ink was hardly dry on that document when President Bush and the Secretary of Defense asked him to go back to Iraq and command our forces.

So in February of 2007 we confirmed him by an overwhelming vote to go back and lead our forces in Iraq. During that time the surge was debated, and the Congress overwhelmingly, in a bipartisan way, confirmed General Petraeus to go to Iraq. And later in May we voted to fund that surge. The phrase often used was: to give General Petraeus a chance. We wanted to give him a chance to employ new tactics and more classic counterinsurgency doctrine, in which he was an expert. As a man who had already spent 2 years in Iraq, he was already closely attuned to all of the difficulties in that country. He went back and had extraordinary success.

General Odierno has also been there all along, and played an instrumental role in the U.S. military's success. I had the opportunity to visit with him twice in Iraq, an extremely important man. In the *Weekly Standard*, Frederick Kagan and Kimberly Kagan, very astute observers of the scene in Iraq, referred to General Odierno, as: "The Patton of Counterinsurgency." They said:

With a sequence of brilliant offenses, Raymond Odierno adopted the Petraeus Doctrine into a successful operational art.

So we are lucky to have a good team here. The Kagans refer to generals coming in pairs. They noted: Eisenhower and Patton, Grant and Sherman, Napoleon and Davout, Marlborough and Eugene, Caesar and Labienus. Well, I do not know why he did not mention Lee and Jackson in that group. But generals do often come in pairs, and this pair is unique.

Now General Petraeus will be moving up to command the Central Command. Of course his most critical areas are Iraq and Afghanistan. General Odierno will be replacing General Petraeus, and I believe we could not have a better circumstance from a command point of view. I could not be happier with the team we have there. I will note that this May, under their leadership, we saw the fewest U.S. deaths of any month since the war began, and July is currently on pace to see even fewer. Remarkable progress has happened. We should confirm these people and be most thankful that we have them as leaders.

Mr. WARNER. Mr. President, I thank our distinguished colleague from Alabama, a member of the committee. He is a very strong voice. I only add to your observations, which are very accurate about the situation in Iraq, we all share a concern about the worsening situation in Afghanistan, and that will become General Petraeus's top responsibility. We are fortunate that he is eminently qualified and has studied the culture of the region, having understood the complexity, the geopolitical situation with regard to Pakistan and Iran. He is eminently qualified to step in and be the commander of those forces in that region.

Mr. SESSIONS. I agree. I note he has a Ph.D. from Princeton in international relations. He has taught that. So you are right. He has the combat experience as well as the geopolitical expertise.

Mr. WARNER. But his boots are on the ground now, not writing dissertations.

Mr. President, I see our distinguished colleague from South Carolina.

I yield the floor.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. GRAHAM. Mr. President, I wish to thank Senator LEVIN and the committee for moving these names forward so we can get these two fine men into new jobs. The committee worked very decisively and quickly, and we are going to have a vote here soon. I hope we can get as close to 100 as possible.

My observation about these two officers is very similar to what Senator SESSIONS said. But having met them and spent some time with them in theater, and I got to know them pretty well, I need to say something on their behalf, that they could have not done this without the people under their command.

I have spent a lot of time in Iraq, like many Members here. The soldiers, sailors, airmen, marines, members of the Coast Guard, every civilian force, have performed magnificently. General Petraeus came up with a new strategy. Quite frankly, before he came along we were losing.

You can talk about Iraq in any terms you want to, political or otherwise. But it was my view that the situation on the ground in Iraq, before this new strategy, was going to result in losing, that we were losing ground against the insurgency and that General Petraeus and General Odierno came up with a new way of doing business, getting the troops out into the field, the joint security stations, where our soldiers would live with the Iraqi police and the army.

This has transformed the Iraqi Army, and the police are getting better. You see this in Basra, you see this in Mosul where the capacity of the Iraqi Army is a lot better than it was the last year in terms of the capability and numbers. It was a direct result of changing strategy, getting out from behind the walls, taking the fight to the enemy. The

Anbar Province strategy, with the Sunnis, the Shiaas turning on al-Qaida, was the defining moment in this war. When General Petraeus came up with a strategy to try to get the Sunni population to break away from al-Qaida by providing better security, that turned the tide in Anbar.

The political progress we have seen with 15 of the 18 benchmarks being met by the Maliki government is a direct result of Ambassador Crocker and General Petraeus sitting down with the Iraqi leadership and doing a lot of hand holding.

The military side of this is important, but I hope the members of the body will appreciate how sophisticated General Petraeus, General Odierno, and Ambassador Crocker have been when it comes to the economic and political aspects of this. They have put money into projects that changed the quality of life in Iraq, that got people more emboldened to join with the Government. They pushed the Sunnis, the Shiaas, and the Kurds to reach political compromise.

These are two of the most talented politicians I have ever met, even though they are in uniform. They are American commanders who were dealt a tough hand. And the politics of Iraq they understood as well, I believe, as the counterinsurgency problems the military faced. What they have brought to the table will go down in history as the most successful counterinsurgency operation in the history of warfare. I have worked on judicial issues. They provided security to the judges, additional capacity in the rule of law area. General Petraeus told me early on: The population has to believe in the law, because if they do not believe in the Government and the law, they will go to militias.

So we celebrate the success of these two men. But on their behalf, I wish to thank all of those who served under them, because they are the ones who made it happen, along with great leadership. We are winning now. We have not won yet, but the difference in Iraq before and after is stunning. It is for all of us to see—progress politically, economically and militarily. I look forward to promoting these two fine officers. Hats off to them and all those who serve in Iraq.

Mr. WARNER. Mr. President, I thank our colleague from South Carolina. He is too modest to say it, but I think he has logged as many trips into that region as any of us here, very often in the company of Senator MCCAIN, who likewise has strong support for both of these officers. I thank the Senator for his work and his important contribution to the debate.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will return to legislative session.

AMERICAN HOUSING RESCUE AND FORECLOSURE PREVENTION ACT OF 2008—CONTINUED

The PRESIDING OFFICER. The Senator from Louisiana.

ROAD HOME TAX

Ms. LANDRIEU. I thank the Senator from Virginia for his comments on the pending nominations.

But I wanted to take a moment to speak about the housing bill that passed. It was a very significant piece of legislation. On behalf of the people of Louisiana, I wanted to come to the floor to specifically thank Senator DODD for his extraordinary leadership and tenacity in getting this bill through the floor of the Senate. It has been stuck for weeks. He got it unstuck this morning and passed it, and it has significant relief for homeowners throughout America, to help us stem the foreclosure rate, to stem the tide of economic downturn in many counties throughout our country. But for Louisiana, it has some very special relief. Part of that bill was actually crafted by Senator BAUCUS and Senator GRASSLEY as chair and ranking member of the Finance Committee, and there was a big piece of that in this housing bill. In that Finance piece was a tax relief provision that is, in my view, central, crucial, and vital to the recovery, ongoing recovery of South Louisiana and the gulf coast.

We added this language to the Foreclosure Prevention Act back in April, where it passed the Senate on a 74-5 vote and I am pleased to see that the combined housing package preserves this critical assistance.

In short, the legislation ensures that hurricane survivors are treated both fairly and with dignity as they struggle to rebuild their lives.

As you know, when these storms, Katrina and Rita, hit, now 3 years ago, they were unprecedented in the size and scope of the destruction. This country has not seen anything like it in well over 100 years, and hopefully we will not see anything like it for another 200 or 300 years. When we went to the Federal toolbox, if you will, to see what tools were available to help the 250,000 homeowners who lost their homes, many did not have insurance because their homes were paid for, or they were not in the flood plain. They lost everything, their homes, their business, their place of worship, the schools their children went to. So when we went to the toolbox, there were not adequate tools to help them. We have been crafting those tools slowly. It has been agonizing for people who are waiting for us to give them a hand.

Many of these taxpaying, hard-working citizens are not asking for charity; they are asking for a chance to get their business back, get their feet back underneath them.

As you know, I am sure it is this way in Virginia. Most middle-class and upwardly mobile families have most of their net worth tied up in their home.

So when their home is considered destroyed and the contents as well, it impacts the financial stability of that family.

That is why I have stayed focused on homes, on home rebuilding, and on small businesses, because it is the backbone of our recovery. I am proud to say that in this bill, we were able to deliver \$1 billion of relief, literally \$1 billion of relief to homeowners who you could argue deserve more help than almost any group of homeowners in America.

Again, these homeowners are suffering kind of a double whammy. Not only did they go through Katrina and Rita, but they are also now in an atmosphere of a slow real estate market; in some places a market that is spiraling downward because of the atmosphere of the country and the economy; although actually at home our economy relative to the country is doing pretty well.

This underlying bill provides relief to homeowners along the gulf coast who had their homes destroyed after Hurricanes Katrina, Rita, and Wilma. In 2005, thousands of people along the gulf coast took casualty loss deductions on their tax returns due to damage that their properties sustained from the hurricanes.

In 2007, many of the same people began to receive payments to cover uninsured losses to their property under Louisiana's Road Home program, Mississippi's Housing Assistance program and similar programs in Florida and in Texas.

The IRS has concluded, however, that individuals who took the casualty loss deduction in 2005 and subsequently received a grant payment must add the value of the casualty loss deduction to their 2007 income.

This decision not only increases the amount of taxable income but also: increases an individual's tax rate by bumping them into a higher tax bracket; subjects certain taxpayers to the Alternative Minimum Tax; phases out deductions; subjects an individual's Social Security benefits to additional taxation; and makes a taxpayer ineligible for Federal student loan aid.

So this relief was absolutely essential. Take the example of two very similar families—the Jones and the Smiths. Both earn \$75,000 a year and both had homes that suffered substantial damage in Hurricane Rita. Both of the families received a road home grant of \$75,000 in 2007 to cover uninsured losses to their homes. So at this point, they are exactly the same.

In 2005, however, the Smiths took a \$75,000 casualty loss deduction which entitled them to a refund of about \$7,000.

According to the IRS, the Smith family had to add the value of their 2005 casualty loss deduction, totaling \$75,000, to their 2007 income. So what is the result of this?

The Smith family had to pay \$25,000 in taxes while the Jones family will